

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Central Illinois Light Company

02-0837

Proposed general increase in natural
gas rates.

RESPONSE TO AMERENCILCO REPLY TO
MOTIONS TO STRIKE OR EXCLUDE REBUTTAL TESTIMONY

NOW COMES the Staff of the Illinois Commerce Commission (“Staff” and “Commission”), through its undersigned counsel, and pursuant to 83 Ill. Adm. Code Sec. 200.190, files its Response to both the AmerenCILCO Reply to the Motions to Strike or Exclude Rebuttal Testimony and Response to Staff’s Motion to Strike, filed by the People of the State of Illinois by the Illinois Attorney General (“the People”). In response to the Replies, Staff states as follows:

RESPONSE TO CILCO

In its Reply to the Motions, Central Illinois Light Company (“CILCO” or “Company”) continues to inaccurately characterize the lead/lag study presented in the testimony of Nagendra Subbakrishna as rebuttal testimony. (See CILCO Reply, p. 1) As explained in Staff’s Motion to Strike, the lead/lag study is one method of providing evidence of the Cash Working Capital component of rate base. In its case in chief, CILCO did not provide any evidence as to the Cash Working Capital component of rate base. Since CILCO did not propose a Cash Working Capital component of rate base, Staff did not propose any adjustment to cash working capital.

However CILCO did propose a Materials and Supplies component of rate base. (See, CILCO Schedules B-1 and B-5) And Staff did make an adjustment to the Materials and Supplies component of rate base. (See, ICC Staff Exhibit 1.0, Schedule 1.9) It is the adjustment to Materials and Supplies which is purportedly being rebutted by Mr. Subbakrishna's testimony. However an adjustment to one component of rate base cannot be rebutted by evidence of a separate component of rate base. Evidence of the Cash Working Capital component of rate base cannot rebut Staff's proposed adjustment to the Materials and Supplies component of rate base.

CILCO cited ICC Docket 90-0127 to support its contention that an adjustment to reduce Materials and Supplies inventory for related accounts payable is only appropriate in the context of a complete working capital analysis. However, Staff believes that more recent Orders, such as Docket Nos. 99-0120/99-0134, cited previously by Staff, indicate the Commission's subsequent recognition that the Cash Working Capital requirement and Materials and Supplies inventory are two wholly separate and distinct components of rate base. The Order in those dockets further recognizes that even a full Cash Working Capital analysis does not obviate an adjustment for accounts payable to reduce the balance of Materials and Supplies inventory. Accordingly, it appears that Docket 90-0127 does not reflect the more recent developments related to this issue.

Although CILCO contends that Staff failed to provide an affidavit in support of the Motion to Strike, CILCO fails to identify, and Staff is unaware of, any non-record facts provided in the Motion. Staff's Motion compares the Materials and Supplies adjustment in Staff's direct testimony to the evidence of Cash Working Capital provided in Mr.

Subbakrishna's testimony. The Motion then argues that the facts are similar to those presented in Docket Nos. 99-0120/99-0134 where the Commission found that Staff's adjustment related only to the inventory portion of Materials and Supplies. Similarly, Staff's statements about prejudice are not based upon facts outside the record. The prejudice is apparent when one contrasts the amount of time the parties would have had to perform an analysis on the lead/lag study had it been provided in November 2002 versus the time available from March 27, 2003. The statutory 11-month time frame in which an order must be entered must also be considered. 220 ILCS 5/9-201

CILCO's statements regarding the appropriateness of a lead/lag study in the determination of a utility's revenue requirement are not responsive to Staff's Motion. CILCO maintains that Staff's objections to the lead/lag study are based upon factual and policy arguments concerning the nature of Cash Working Capital and the Materials and Supplies component of rate base. (CILCO Reply, p. 2) Staff never alleged that a lead/lag study is inappropriate. Staff's Motion is solely based upon the timing of the lead/lag study. Staff argued that if CILCO wished to present a lead/lag study, the appropriate time to do so was when CILCO made its initial filing. CILCO failed to provide an explanation of why a lead/lag study was not presented in November, so that all parties would have the opportunity to complete a thorough analysis of the study. CILCO's statement that "[b]y filing the rebuttal testimony early, [it] has nearly doubled the amount of time for the parties to respond..." is disingenuous. (CILCO Reply, p. 4) CILCO filed the testimony on March 27, thus allowing parties seven and one half weeks, or until May 21 to respond to the testimony in rebuttal testimony. Had CILCO filed the testimony on November 22, 2002 with its original filing, parties would have had nearly

17 weeks to prepare an analysis of the lead/lag study. In addition, the parties would have had four and one half weeks to respond to CILCO's rebuttal testimony.

CILCO further states that no information has been requested concerning its lead/lag study, implying that responding to the study within the timeframe remaining in this case should not be an issue. (CILCO Reply, p. 4) However, shortly before CILCO filed this response, Staff issued 19 data requests to the Company on April 17, 2003, of which 16 were answered by the Company on April 24, 2003, and three are as yet unanswered. The responses to these data requests are critical to Staff's analysis of the lead/lag study. Additionally, after reviewing the responses to the first 19 data requests, Staff may need to issue follow-up or clarifying data requests to complete its analysis of the lead/lag study.

II. RESPONSE TO THE PEOPLE

The People object to Staff's proposal to amend the schedule to provide for Staff/Intervenor supplemental direct and Company supplemental rebuttal testimony. First, the People argue that the alternative schedule does not ameliorate the prejudice to Staff and Intervenors that allowing the lead/lag study into evidence would cause. Second, the People point out that Staff's scheduling proposal would allow only three business days, after the briefing schedule on the Motions to Strike, for Staff and Intervenors to file supplemental direct testimony.

As discussed above and in Staff's Motion to Strike, Staff's primary prayer for relief is that the Rebuttal Testimony of Nagendra Subbakrishna should be stricken. In the event the Motion to Strike is not granted, to address the People's criticism Staff changes its proposal for supplemental testimony:

Staff/Intervenor supplemental direct

May 7, 2003

Company supplemental rebuttal

May 14, 2003

The foregoing dates would provide an opportunity for Staff and Intervenor to have two rounds of testimony to respond to the lead/lag study.

WHEREFORE, for the foregoing reasons Staff respectfully requests the Commission to:

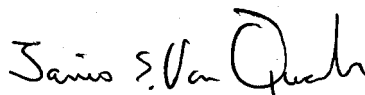
A. Strike the Rebuttal Testimony of Nagendra Subbakrishna in its entirety;

Or, in the alternative:

B. Allow Staff and Intervenor to file supplemental direct and supplemental rebuttal testimony; and

C. Allow such other and further relief, as this Commission deems appropriate.

Respectfully submitted,



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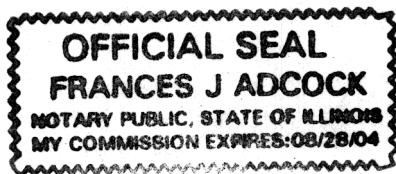
VERIFICATION

I, Bonita A. Pearce, am employed as an Accountant at the Illinois Commerce Commission. hereby affirm that I have knowledge of the contents of the Response to AmerenCILCO Reply to Motions to Strike or Exclude Rebuttal Testimony and that it is true and accurate to the best of my knowledge information and belief.

Bonita A Pearce
Bonita A. Pearce
Accountant

Notarized this 25th day of April, 2003.

Frances J. Adcock
Notary Public



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